

LOBLAW COMPANIES LIMITED



1992 Annual Report

Loblaw Companies Limited is Canada's largest food distributor. In 1992, 69 percent of its sales were at the retail level through its own stores and the remainder were as a wholesaler to franchised independent and independent accounts. The Company is geographically diverse, with operations in all the Canadian provinces as well as in the St. Louis and New Orleans areas of the United States. In 1992, 85 percent of sales were in Canada.

71 percent of the common shares of Loblaw Companies Limited are owned by George Weston Limited. The remaining 29 percent or 23,173,070 shares are actively traded on the Toronto, Montreal and Vancouver stock exchanges.

CONTENTS

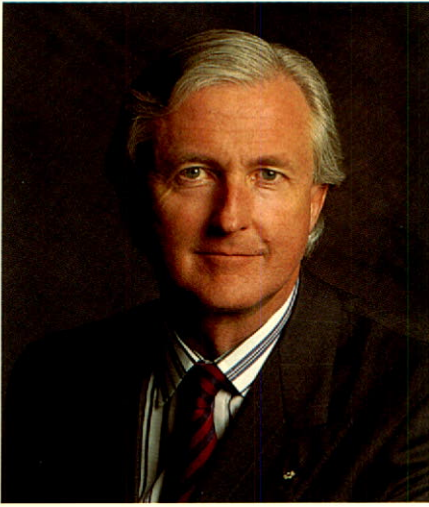
Financial Highlights	1
Chairman's Report	2
President's Report and Review of Operations	4
Management Discussion and Analysis	14
Retail and Wholesale Operations	18
Consolidated Financial Statements	22
Ten Year Summary	29
Corporate Structure	32
Shareholder Information	33



FINANCIAL HIGHLIGHTS

	1992	1991	1990
<i>Operating Results (\$ millions)</i>			
Sales	9,262	8,533	8,417
Trading profit	309	324	320
Operating income	193	219	215
Earnings before income taxes	125	162	150
Net earnings	80	105	96
<i>Financial Position (\$ millions)</i>			
Total debt	578	594	473
Total shareholders' equity	972	941	812
Total assets	2,474	2,362	2,102
<i>Changes in Financial Position (\$ millions)</i>			
Cash flow from operations	273	221	249
Purchase of fixed assets	198	159	171
<i>Per Common Share (dollars)</i>			
Net earnings	.88	1.17	1.10
Cash flow from operations	3.47	2.91	3.43
Book value	10.57	9.52	7.99
Actual dividends paid	.24	.23	.20
Year end dividend rate	.24	.24	.20
Price range – high	20 ¹ / ₂	22 ¹ / ₂	18 ⁷ / ₈
– low	16 ³ / ₈	16 ³ / ₈	13 ⁵ / ₈
<i>Financial Ratios*</i>			
Return on common equity	8.8%	13.4%	14.6%
Return on capital employed	14.0%	16.4%	16.1%
Pretax return on sales	1.3%	1.9%	1.8%
Working capital ratio	.98:1	1.06:1	1.03:1
Total debt to equity	.38:1	.36:1	.54:1

*For purposes of calculating financial ratios, debt is reduced by cash and short term investments.



W. Galen Weston
Chairman

RESPONDING to customers' everyday needs, the Real Canadian Superstores provide a range of products and services not traditionally associated with grocery stores such as this children's clothing department.

1992 has been another difficult year for Canada economically and the food business, normally a haven of security for investors in troubled times has also been hurt, in some areas quite severely.

Customers have gone out of their way to search out low prices and traditional loyalties to a particular store or brand name product have been challenged. New nonunion operators have opened with much lower cost structures and existing chains have been forced to reduce prices in an attempt to maintain market share. The costs of doing business have continued to increase but without the normal mitigating influence of inflation in sales and margins. Profitability has therefore suffered and there are few examples of Canadian food retailers with increased earnings over this period.

While the severity and duration of this recession has surprised us all, your Loblaw management team has been aware of what the consumer will require under pressure and has taken action accordingly. The discount formats such as the Real Canadian Superstores, no frills and Fortinos were developed, traditional Loblaw store prices were reduced, no name[™] and President's Choice[™] brands were developed. In the last two years, Club Pack[™] has been introduced in the larger stores to provide our customers with often a better offering than these new competitive store entries.

As a result of these initiatives, your Company's sales have increased in most areas in existing stores, cash flow levels have largely been maintained and there are indications that profitability in the coming year will be at more acceptable levels.

There will always be opportunities for further cost reductions within a company of our size, but I believe management has done an excellent job in this regard through a difficult period. It is now our intention to move forward with increased square footage where this can be secured at recession prices. We have the balance sheet, the store formats, the house brands and the up-to-date computerized systems and sales momentum is strong. Most importantly, in Mr. Currie and his executive team, we have the people in place to deliver superior performance for shareholders. I look forward with confidence.

W. Galen Weston

W. Galen Weston
Chairman of the Board





Richard J. Currie
President

CONVENIENT "one hour processing" photofinishing in this Edmonton Superstore is an example of Loblaw's recognition of the decline of consumers' available time. These new services offer customers efficient shopping under one roof.

Loblaw Companies Limited had an outstanding year in 1992. On the surface, that may seem an absurd commentary with earnings declining 24 percent and earnings per share declining from \$1.17 in 1991 to \$.88 this year. From a business point of view, however, trading profits (operating income before depreciation) tell a more meaningful story, declining only 5 percent from \$324 million to \$309 million. The primary causes of the difference between the small decline in trading profits and the large decline in earnings per share is increased depreciation – an expense with a positive aspect in as much as it is caused by continued reinvestment in the business – and the \$.13 per share cost of writing off \$10 million without tax benefits from the Schmitt asset sale in 1988. The \$10 million cost is primarily a noncash expense and minor when compared with the benefit (cash plus reduction in obligations) received at the time of sale.

The numbers tell only part of the story, however. What made 1992 an outstanding year for Loblaw Companies was that even in a bad economy, with traditional competitors fighting tooth-and-nail for market share and with alternative formats with superior distribution economics entering the food retail scene in even greater numbers, Loblaw Companies made important sales and market share gains while maintaining its trading profit. Good companies can do well even in bad years.

For a number of years, the Canadian people have suffered a declining real income and this condition was greatly exacerbated by severe economic recession and job losses in 1992. The effect on the entire food industry was a demand by consumers for value or "the same quality but at a lower price". Meeting this demand for increased value resulted in food price deflation (a combination of lower input costs and lower selling prices) of 1.3 percent across Loblaw Companies for 1992. By reducing our own cost structure, by reinvesting in our most efficient formats, and by further increasing concentration on "own label" products, the familiar no name™ and President's Choice™, Loblaw Companies was able to grow sales by 8.5 percent and tonnage by approximately 7 percent. In an industry where tonnage grows by about 1.5 to 2.0 percent annually, this represents our best tonnage year ever and it directly translated into improved market share. And the improved market share provided the means to maintain trading profits.

Control over costs is fundamental to competitive success. But of all costs, store operating costs, particularly labour, are perhaps the most crucial when the market is one of low demand and food deflation. It is significant and worth noting that *all* of the alternative formats, and particularly warehouse clubs, operate in a *nonunion* environment. Loblaw Companies offers a well paid and secure environment to its unionized employees. But in these economic times, it is impossible to offer both and survive. Over the past few years, serious and straightforward labour negotiations have been held and invariably were concluded in a satisfactory manner. We can, we have and we will ensure security to our

photo lab

Superstore

Quality
Photofinishing
at the lowest
prices in town

Guaranteed
Lowest Prices!
Quality Service
Fast Turnaround
Free Delivery
Free Pickup
Free Drop-off
Free Rush Service
Free Mounting
Free Photo Booth
Free Photo Studio
Free Photo Studio
Free Photo Studio

camera bags

photo pick-up

Don't forget
to buy
more film!

film drop-off

frames

PERMANENT
DISCOUNT

PERMANENT
DISCOUNT

photo books 10% off

Superstore

99

PHOTO BOOKS

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COMPETITIVE prices for large packs provide exceptional value, and challenge the warehouse membership clubs. New departments offer corporate brand Club Packs™ and national brands in large sizes. Signage reminds consumers that no membership is required.

employees. It is necessary in return that we obtain the reasonable costs and operating flexibility which allow us to compete with all forms of food competition.

1992 was unquestionably this Company's most successful year to date from a competitive and strategic point of view. We have responded to recession, food deflation and price wars by stimulating sales volume. By reducing supermarket and wholesale prices while simultaneously reducing business costs, sales have increased and have been sustained at a very satisfactory pace. In a business as dynamic as food distribution, one hesitates to make predictions, but I believe we can look forward to even better performance and materially improved earnings per share in the next few years. To obtain and sustain these goals it is our intention to:

- *Concentrate on being a food distributor.* To be specific, to be the best food distributor in terms of value to its customers and have the best selection in grocery products as well as in perishable products like produce, meat, delicatessen, fish and bakery. In most cases, it is our intention to enhance our food offerings with other items that will meet the everyday household needs of consumers, for example, health and beauty care, cosmetics, and selected general merchandise. But the primary focus of the business, in every community, will be food.

- *Continue to reinvest in existing markets.* Loblaw Companies has been the largest food distributor in Canada for some time. We have learned that the difference between being an also-ran and the leader is to concentrate sales in selected markets with selected formats and not to participate just for the sake of representation. For example, as late as 1988, we were #1 in share in only 1 of the top 9 markets in Ontario. In 1992, we were #1 in share in most of these markets. Additional investment in such markets, provided it is in the targeted formats, is very productive and it comes at the least cost. Market share is not always the determinant of profitability however. Our most productive formats are The Real Canadian Superstore in Western Canada and The Real Superstore in the United States. While it is rare for these stores to be #1 in market share, they operate at about twice the sales per store of the next best traditional competitor. Such a condition offers more market share and profit per store and also provides us with the most formidable of our many vehicles to expand successfully.

- *Continue to make only the most selective acquisitions.* In all of our acquisitions to date, we have concentrated on enhancing our market positions and we now have an established base. While there will be new market or new format acquisition opportunities in the future, they will need to be exceptional in nature to be better at increasing shareholder value than reinvesting in our present base.

- *Continue to invest in products and technology.* At the present time Loblaw Companies has the best "own label" or corporate brand product program in North America. The loyalty of consumers to national brands has declined and marketing strategies based solely on the discounting of national

Meat

Super lean





INNOVATIVE services,
such as the sixteen gas bars
accompanying the Superstores in
Western Canada, create new
business from new sectors while
providing cross-merchandising
opportunities with the
redeemable "Superbucks™".

brands have become steadily less effective for food distributors. Our well established no name™ and President's Choice™ brands continue to provide an excellent way to satisfy consumers' increasing demands for value. These unique corporate brands are now supported by computer-based store product mix and merchandising systems which further enhance both value and profitability. New competitors have emerged offering low prices on large packs of national brands in warehouse membership club stores. Loblaw Companies has responded not only with national brand large packs but by introducing corporate brand Club Packs™, offering unmatched value, in new sections of its supermarkets and with "No Membership Required".

➤ *Continue to play for the long term.* All of our senior management of Loblaw Companies have invested their business careers in this Company, its leading shareholder is a family and its shareholders we expect to be investors and not speculators. Inside the business, these conditions manifest themselves in an orientation towards risk-taking but with continuous protection of the downside in all our plans, in cash orientation rather than just an earnings one and in a desire to build assets as well as to grow earnings. Through these and other means, it is the intention to continue to run the business as owners, not as "professional" managers.

➤ *Be competitive.* That statement may seem perfunctory or even platitudinous but perhaps it is profound in that it goes to the heart of what we must be. To be competitive means firstly that we will maintain a "customer orientation". All our activities will be directed at meeting the food (and everyday household) needs of the customer better than anyone else can do it at either the retail or wholesale level. Secondly, being competitive means that we are committed to the belief that control over costs is fundamental to sustained competitive advantage. And finally, being competitive means having a strong balance sheet. No great company ever had a weak balance sheet.

Loblaw Companies has transformed itself from the laggard to the leader in the Canadian food distribution industry. As a result of the relentless application of the strategies outlined here, we intend to remain the leader.

1992 was an outstanding year... it was a year in which all of us in the business, individually and collectively, can and should take pride. That pride would have been shared with us by Brian Davidson, an Executive Vice-President who died suddenly in his 59th year on March 18, 1992. His ability, courage, character and energy were well known and admired both inside and outside the business.



gasolin

The real Canadian
Superstore



*QUALITY control by So-Fresh,
Loblaw's produce sourcing business
based in California, Florida and
Texas, assures freshness, timely
delivery, and cost advantages.
Company buyers purchase fruits
and vegetables directly from
growers and shippers such
as the McKinney family of
Orange Cove, California.*

EASTERN CANADIAN OPERATIONS

While continuing to reduce costs and noncash working capital, the Ontario business launched several major sales initiatives in various markets during 1992. These pricing strategies, while initially resulting in price wars, captured materially increased sales. Ten former Steinberg stores were purchased early in the year and all but one will be franchised. Six new store openings in 1992, particularly those in St. Catharines and Barrie have exhibited strong performance in the early going. In certain locations, the Company has capitalized on its strong franchise programs and available formats to convert unprofitable or unsuitable corporate stores to more cost efficient franchised vehicles.

Also in Ontario, a wage freeze for salaried staff was implemented in 1992. Union settlements, arrived at through difficult negotiations, provided improved flexibility and satisfactory monetary adjustments. Further selective staff reductions were also made in the administrative areas. As a result, administrative and distribution expenses continue to reflect the trends of past years, showing little absolute increase and declining as a percentage of sales.

Due to the competitive climate and our own pricing initiatives, earnings in Ontario were constrained. More importantly, however, this business has greatly strengthened its competitive position which will provide increasing earnings in the coming years.

In Atlantic Canada, the business acquired its partner's interest in the Newfoundland joint venture operation early in 1992, making it wholly owned and facilitating a period of overhead cost reduction and planning. The Newfoundland business is now in a position to rationalize existing retail locations, invest in new retail stores and expand its wholesale operations. Two new stores and one expansion are planned for 1993. On the mainland, two new Super Valu stores were opened and three conventional Save-Easy stores were converted to this format. The distribution centre in Moncton, New Brunswick was expanded to accommodate general merchandise, thereby eliminating the need for a 45,000 sq.ft. separate facility in Dartmouth, Nova Scotia.

During 1992, a change was begun which will result in the provision of certain administrative support functions to the Atlantic business by National Grocers, continuing a process of combining administrative support functions for all of Eastern Canada, which began several years ago for the various retail and wholesale businesses in Ontario. When this was originally done in Ontario, systems were improved and costs were reduced while allowing the operations to remain autonomous and clearly focused on the customer. Similar benefits are anticipated in future years for Atlantic, as this project will be completed in 1993.





SERVICE in this Kare

Pharmacy in St. Louis provides a one-stop shopping opportunity.

Loblaws in-store pharmacies and expanded health and beauty care departments soften the impact of the discount drug store formats.

WESTERN CANADIAN OPERATIONS

The easing of the recession in the western provinces has facilitated the achievement of record sales and earnings for the year 1992.

The Real Canadian Superstores were the driving force for this performance. The addition of three stores in 1992 in Red Deer, Alberta, Prince Albert, Saskatchewan and Brandon, Manitoba continued the rollout of Superstores to smaller urban markets, following the encouraging Lloydminster, Alberta entry in late 1991. The six similar stores planned for 1993 will further strengthen the market position of this group. A second Real Canadian Wholesale Club™ was opened in Saskatchewan as we continue to develop this format targeted at the food service and small business trade.

Continued rationalization of wholesale operations resulted in closure of four branches in 1992 with four more closures planned in the first quarter of 1993. While costly at the time, the sales decline can be rebuilt and these rationalizations enable the business to have a lower cost structure in the future.

UNITED STATES' OPERATIONS

Concentration on the use of technology to enhance productivity, to strengthen product procurement and to improve control has been a major factor in our continued success in 1992. Cost reduction programs have released the resources necessary to retain competitiveness in these low growth, over stored markets.

In St. Louis, the planned opening of six new stores in the next eighteen months will strengthen National's presence in the "food market" arena. These high perishable content stores are designed to establish leadership in their field and to co-exist with a growing number of wholesale clubs and mass merchandising stores competing directly in the food retail business.

In New Orleans, we continue to be in the multiple format business, which effectively implements a coordinated marketing program to protect our market position in an intensely competitive environment. A 79,000 sq.ft. food and drug combination store was added to the Real Superstore group. Opened in March of 1992, this store is exceeding sales and earnings projections. A larger, 140,000 sq.ft. combination store will be added late in 1993 or in early 1994.

Although President's Choice™ products were introduced six years ago into our own United States stores, this exclusive line was added to six other United States grocery chains in 1992. These arrangements provide royalty income and increased buying leverage. In addition, under an arrangement with Wal-Mart, Loblaws Companies has assisted in the development of a new product line, "Sam's American Choice", based on the President's Choice™ model.

Richard J. Currie
President



MANAGEMENT DISCUSSION AND ANALYSIS

In 1992, Loblaw Companies Limited's net earnings were lower than in 1991, primarily because of competitive pressures on margins in Eastern Canada. Earnings per share were \$.88 which included the \$.13 per share effect of a \$10 million special provision, down from \$1.17. Sales increased by 8.5 percent which management considers to be a strong performance in a highly competitive, negative inflation environment, even when the effects of a 53rd week are factored out. Earnings recovery is anticipated in 1993, due to the absence of last year's special provision and foreseen improved earnings throughout the business.

RESULTS OF OPERATIONS

Sales

Loblaw Companies, under an accounting convention common in the food distribution industry, follows an exact 52 week reporting cycle which periodically necessitates a 53 week "catch-up" year. 1992 was such a 53 week year. The additional week adds approximately 2 percent to the year over year sales increase.

	Sales (in millions)				
	1992	Change	1991	Change	1990
Eastern Canada					
Retail	\$3,122	11.9%	\$2,789	(.1%)	\$2,793
Wholesale	1,718	11.8%	1,537	8.3%	1,419
	<u>\$4,840</u>	11.9%	<u>\$4,326</u>	2.7%	<u>\$4,212</u>
Western Canada					
Retail	\$1,884	9.7%	\$1,717	5.8%	\$1,623
Wholesale	1,115	(6.4%)	1,191	(6.1%)	1,269
	<u>\$2,999</u>	3.1%	<u>\$2,908</u>	.6%	<u>\$2,892</u>
United States					
Retail	\$1,418	10.8%	\$1,280	.2%	\$1,277
Wholesale	5	(73.7%)	19	(47.2%)	36
	<u>\$1,423</u>	9.5%	<u>\$1,299</u>	(1.1%)	<u>\$1,313</u>
Combined					
Retail	\$6,424	11.0%	\$5,786	1.6%	\$5,693
Wholesale	2,838	3.3%	2,747	.8%	2,724
	<u>\$9,262</u>	8.5%	<u>\$8,533</u>	1.4%	<u>\$8,417</u>

Notes: 1. The operations of the Cash & Carry outlets have been retroactively reclassified from wholesale to retail, reflecting the evolution of this format in today's marketplace.

2. For an understanding of the geographic areas covered by these operating segments, please refer to the map on page 18.

In Canada, food price inflation as measured by the average Consumer Price Index for "food purchased at stores", was negative 1.4 percent in 1992 and positive 2.0 percent in 1991. In 1992, this index is more consistent with internally generated inflation measures than in 1991 although there were significant regional differences. In Ontario, food cost

per ton did not change year over year, but retail prices decreased. In Western Canada, food cost per ton increased by about 2 percent, but retail prices were stable. In both cases, competitive retail pricing had a deflationary effect. In 1991, the new GST and significant consumer downtrading caused internal inflation to decline approximately 3 percent.

In **Eastern Canada**, a significant factor in increased retail sales was real volume growth through existing retail units of approximately 5 percent. The other factor was growth in retail square footage. The Amalco acquisition in Newfoundland at the beginning of the year brought with it 18 corporate stores. In addition, 18 new stores were opened in Eastern Canada in 1992, compared to 10 new stores in 1991 and 22 stores were transferred from corporate to franchise (retail to wholesale) in 1992 compared to 15 such transfers in 1991. The net effect of Amalco, new stores, transfers, closures and enlargements was an increase in the average retail square footage of over 6 percent in 1992 compared to a slight decrease in 1991. Average franchised square footage increased by about 6 percent in 1992, augmented by the acquisition of former Steinberg stores in the Ottawa Valley as well as conversion of corporate stores. In 1991, although franchise square footage increased only marginally, the quality of the franchise base improved, driving increases in sales per square foot. In 1992, franchise stores have accounted for all of the increase in wholesale sales, compared with about two-thirds in 1991. In 1991, another significant factor in the increase was the additional drug store accounts in Atlantic Canada.

In **Western Canada**, the principal factor in retail sales growth continues to be the Real Canadian Superstores, particularly those opened within the last three years. In 1992, new Superstores were opened in Brandon, Manitoba, Prince Albert, Saskatchewan and Red Deer, Alberta. Each of these stores is over 100,000 sq.ft.. Average retail square footage increased by about 11 percent during the year compared to about 10 percent in 1991. Retail sales growth did not keep pace with growth in square footage in either year as sales per square foot declined. In 1992, this is attributed to the new stores being in smaller sales markets. In 1991, the difference was more pronounced and resulted from the combined effect of increased general merchandise volume, the impact of the GST and competitive pressure on pricing. On the wholesale side, the main factors in sales declines in 1991 were the strategic loss of nonfranchised independent business which was providing an inadequate return and facility rationalization which saw the closure of three obsolete branch facilities.

These processes have continued in 1992, resulting in further sales declines. During the year, branches were closed in Victoria, Nanaimo and Prince George, British Columbia. Four more branch closures are scheduled in 1993.

In the **United States**, retail sales in Canadian dollars increased by 10.8 percent in 1992. In U.S. dollars the increase in 1992 was 3.2 percent compared to 1.3 percent in 1991. During 1992, average retail square footage increased by about 6 percent compared to a 2 percent increase in 1991. The increase in 1992 reflects the opening of a new Real Superstore in New Orleans. However tonnage increases of 1.3 percent in 1992 and 1.0 percent in 1991 were not in line with square footage increases in either year. This reflects the encroachment of new competitors in St. Louis in both years. General food price inflation, as measured by the average U.S. Consumer Price Index for "food-at-home" for the St. Louis and New Orleans areas was negative .5 percent in 1992 and positive 2.4 percent in 1991, but there was little impact of inflation on sales in either year.

Operating Income

	Operating Income (in millions)				
	1992	Change	1991	Change	1990
Eastern Canada	\$ 63	(34.4%)	\$ 96	(7.7%)	\$104
Operating margin	1.3%		2.2%		2.5%
Western Canada	\$ 89	8.5%	\$ 82	9.3%	\$ 75
Operating margin	3.0%		2.8%		2.6%
United States	\$ 41		\$ 41	13.9%	\$ 36
Operating margin	2.9%		3.2%		2.7%
Combined	\$193	(11.9%)	\$219	1.9%	\$215
Operating margin	2.1%		2.6%		2.5%

Geographic diversification is one of the strategies that the Company employs to reduce risk, limiting exposure to regional economies. Although operating income declined steeply in Eastern Canada in 1992, this was offset somewhat by increases in Western Canada.

In **Eastern Canada**, operating income declined significantly in 1992 reflecting the effects of economic recession and intense competitive pricing activity which continued in the region throughout the year. In the retail portion of the business, an operating income decline of almost 40 percent was primarily due to lower gross margins resulting from lower retail selling prices. The effect of lower gross margins was partially offset by significantly higher sales and declining costs as a percentage of sales. Labour costs increased slightly although in 1992 important negotiations affecting labour in

the corporate retail stores in Ontario were satisfactorily concluded, creating an environment for continued growth and profit improvement in this segment of the business. In 1991, operating income from retail operations declined by about 20 percent. Although gross margins were maintained, operating costs increased, eroding profits on flat sales. From a wholesale perspective, operating income declined almost 30 percent. The benefits of increased sales were offset by lower gross margins and subsidization of franchisees in an intensely competitive retail environment. In 1991, wholesale operating income grew in line with sales. Trends in the latter part of 1992 are toward higher levels of operating profits reflecting strong sales and controlled costs. This trend is expected to continue and should result in operating income increases in Eastern Canada in 1993. Also in 1992, work was begun on centralizing certain administrative functions previously performed separately by both Atlantic Wholesalers and National Grocers. When this is completed later in 1993, it will result in cost efficiencies and systems improvements which will benefit Eastern Canadian operations in future years.

In **Western Canada**, the regional economies have not been as severely impacted by recession as in Eastern Canada. The rate of growth in operating income from the retail portion of the business was approximately 30 percent in 1992. This was mainly a result of sales growth and cost control leading to lower costs as a percentage of sales. Gross margins improved slightly. In 1991, retail operating income growth was in line with sales growth. Wholesale profits declined by over 30 percent in 1992 after improving in 1991. The decline in 1992 reflects closure costs and reduced sales. New stores are expected to result in retail profit growth in 1993. Cost reductions achieved from recent rationalizations should offset the effect of further sales declines on the wholesale side.

In the **United States**, operating income from the retail operations declined in 1992, impacted by intense competitive pressure on margins in New Orleans and competitive encroachment on sales in St. Louis. Operating income in retail operations increased in 1991 and this increase was attributed to tight cost control, including cost of product. In 1992, net royalty income generated through the sale of President's Choice™ products in several large retail chains in the United States and Sam's American Choice products in Wal-Mart stores, increased in significance, rising from a marginal net profit in 1991 to over \$5 million in 1992 and offsetting the decline in retail profitability. New square footage in St. Louis and cost control activities in St. Louis and New Orleans are expected to result in modest retail profit improve-

ment in 1993. Royalty income generated in the United States is expected to increase in 1993.

Gains on sales of fixed assets included in operating income were \$.7 million, a decrease of \$2.1 million from last year.

The slight increase in interest expense from 1991 to 1992 was a result of several factors. *Interest expense* increased by \$1.3 million due to the 53 week year. It also increased because average debt levels, net of cash and short term investments, were about \$60 million higher and the interest income on the United States short term investments was at a lower rate. Offsetting these factors was the effect of the cross-currency swaps, discussed in Note 7 to the financial statements. These swaps give rise to interest income at Canadian rates and interest expense at United States rates, the result of which has been a net reduction in interest expense in 1992 and if historic market conditions continue, should lead to reduced interest expense in 1993. The decrease in interest expense from 1990 to 1991 was primarily due to lower average net debt levels, partially offset by higher effective rates as a result of a \$200 million long term note issuance and lower interest rates on the United States investment portfolio.

In 1992, a \$10.0 million *special provision* was taken as a result of the Chapter 11 filing of a former United States subsidiary, Peter J. Schmitt. At the time this business was sold in 1988, Loblaw took back \$U.S. 5.0 million in preferred shares and guaranteed certain of Schmitt's obligations. The special provision was prompted by the Chapter 11 proceedings, on the basis that Schmitt might not be able to reorganize and continue to operate. This now appears to be the case as assets are being sold. It also appears that the provision is adequate but will be fully required. The tax benefits of this provision are not certain and therefore have not been recognized (see discussion of the effective income tax rate below).

Earnings before income taxes decreased, affected by both reduced operating income and the special provision. In 1991, there was an increase as a result of a decline in interest expense and a small increase in operating income.

The *effective tax rate* increased during the year as a result of not providing any tax recovery on the \$10.0 million special provision. The effective tax rate is expected to decline slightly in 1993 due to changes in the Canadian rate mix as well as increases in income taxed at foreign rates.

Net earnings were \$79.8 million in 1992 versus \$104.7 million in 1991 and \$96.0 million in 1990 and *earnings per share* declined to \$.88 from \$1.17 in 1991

and \$1.10 in 1990. Because no tax benefit was taken on the special provision, it had an effect of \$.13 per share.

FINANCIAL CONDITION

The sound financial position of the business did not change significantly during 1992.

Capital expenditures for fixed assets and acquisitions rose to \$247.0 million from \$158.9 million in 1991 and \$171.2 million in 1990. In 1992, these expenditures may be broken down as follows: Eastern Canada - \$131.5 million, (53.2 percent); Western Canada - \$92.3 million, (37.4 percent) and United States - \$23.2 million, (9.4 percent). About 65 percent of the total is related to corporate stores. (New franchise units are for the most part self financing). It is anticipated that for 1993 capital expenditures will be approximately \$250 million and will break down roughly as follows: Eastern Canada - 39 percent, Western Canada - 30 percent and United States - 31 percent. Projects already begun, and which the Company is effectively committed to complete, total approximately \$50 million of the anticipated 1993 expenditures. *Cash flow from operations* increased to \$273.3 million from \$220.9 million in 1991 and \$248.7 million in 1990, continuing a pattern of exceeding capital expenditures. This pattern is expected to continue in 1993. Declining cash flow from operations in 1991 was a result of declining cash provided from working capital. In 1992, cash flow from operations increased in spite of reduced earnings as the Company continued to focus on management of working capital. 1992 represents the fifth consecutive year in which working capital has been a source rather than a use of cash. The Company attempts to maintain its net investment in the noncash elements of working capital (the principal components of which are accounts receivable, inventories, accounts payable and accrued liabilities) at the minimum necessary for effective operation. This has resulted in a further decline in the average net investment in these working capital elements relative to sales from .5 percent in 1991 to .1 percent in 1992. Continued efforts to improve this ratio should result in working capital being either a source or a minimal use of cash next year.

The above factors were largely responsible for *net cash in before financing and dividends* remaining relatively stable between 1991 and 1992 after decreasing by \$42.3 million in 1991.

At year end, *cash* was \$208.0 million, a \$45.4 million decrease from the previous year. Repayment of long term debt (\$28.6 million - Series 3, 11⁵/₈% debentures) and equity

redemptions (\$55.0 million – Second preferred shares) were significant factors in this decrease in cash.

Short term liquidity is provided by a combination of internally generated cash flow, cash on hand (as defined in the preceding paragraph) and access to the commercial paper market. The Company maintains a \$500 million commercial paper program, supported by operating bank lines of credit, which is rated A-1 and R-1 (low) by Canadian Bond Rating Service (CBRS) and Dominion Bond Rating Service (DBRS) respectively. Financial instruments are used from time to time to manage the interest rate on the underlying commercial paper and short term investments. At year end 1992 the annualized equivalent of approximately \$3.0 million commercial paper had been fixed at a rate of 6.9 percent and \$U.S. 28 million short term investments had been fixed at a rate of 4.1 percent.

Longer term capital resources are provided by direct access to the capital markets. The Company has a debt rating of A (high) from CBRS and DBRS. The weighted average interest rate on fixed rate **long term debt** (excluding capital lease obligations) at year end 1992 was 10.8 percent which is unchanged from last year. The weighted average term to maturity (measured both on the basis of maturity date and on the earlier of maturity and first retraction date) was 20.4 and 18.2 years respectively at year end 1992 compared to 20.9 and 18.6 years at year end 1991. The debt:equity ratio (calculated with debt reduced by cash and short term investments) changed from .36:1 in 1991 to .38:1 in 1992. Both these ratios are well within the Company's internal guideline of maintaining a debt:equity ratio of less than 1:1.

Shareholders' equity increased by \$31.2 million in 1992 after increasing by \$128.7 million in 1991. Shareholders' equity was reduced by the preferred share redemption and increased by current earnings retained in the business. It was also increased by the reduction in the **foreign currency translation adjustment** arising from the decrease during the year in the value of the Canadian dollar and corresponding increase in the relative value of the United States operations. During the year, the Company entered into cross-currency swaps referred to earlier. These swaps act as a hedge against the net investment in United States operations, reducing future exposure to fluctuation in this asset resulting from currency changes. As a result, future fluctuations in the foreign currency translation account will also be minimized.

Loblaw strives to create shareholder value through common share appreciation reflecting historical earnings per

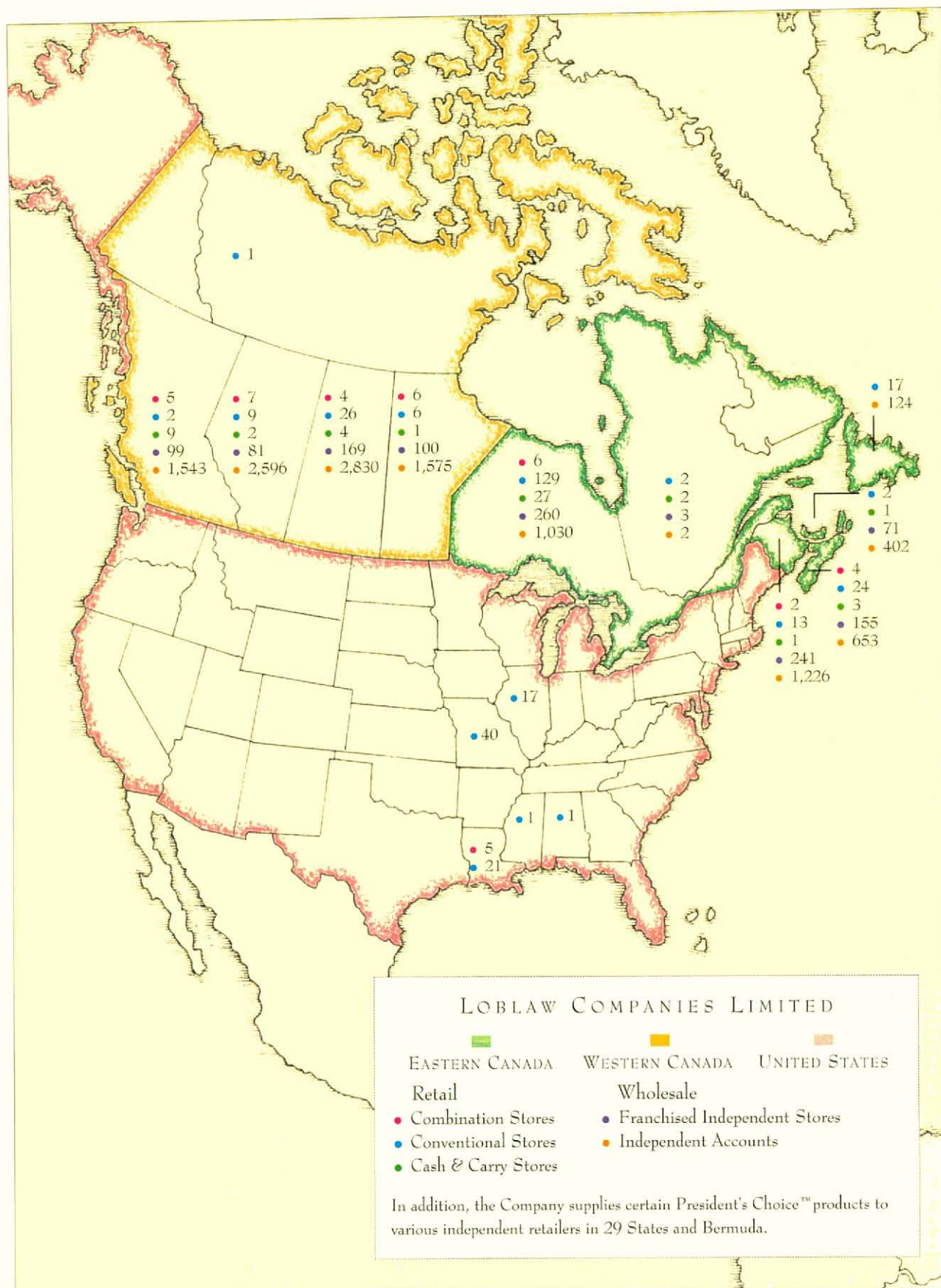
share growth and growth potential. The Company's **dividend policy** is to pay out dividends amounting to approximately 20 percent of the prior year's earnings per share. Strict adherence to this policy would result in common dividend reductions in 1993, however, because the earnings decline in 1992 is regarded as temporary, no dividend reduction is planned.

RISK AND RISK MANAGEMENT

The Company is an aggressive competitor in the food distribution business. Its strategies often involve penetration of new markets. It is willing to experiment with new store formats and expand its operations through focused acquisitions when new opportunities arise. In 1992, the Company solidified its position in Newfoundland with an 18 store acquisition, bought 10 former Steinberg stores in the Ottawa Valley and expanded aggressively in Cape Breton (2 new stores and 3 conversions) and in Western Canada with the new Superstores previously mentioned. In 1993, Real Canadian Superstores will be introduced in the markets of Thunder Bay, Ontario, Grande Prairie and Medicine Hat, Alberta and Courtenay, British Columbia. Refinements will proceed with the new Wholesale Club format and several more of these stores will be opened. Management believes these aggressive strategies are essential to long term security and growth.

The main **risk** to sales and operating income is the highly competitive environment. Management follows certain strategies to reduce risk. One of these is to operate in geographically diverse areas to minimize exposure to regional economies and demographics. In 1992, 53 percent of sales were in Eastern Canada, 32 percent were in Western Canada and 15 percent were in the United States. Another strategy is to operate in both the wholesale and retail sectors to balance exposure to shifts in the economics of these two major components of the industry. In 1992, 69 percent of sales were retail and 31 percent were wholesale. In the current year, exposure to the United States dollar investment in the business in the United States has been hedged. Other risk dampening strategies which the Company follows are: a policy of owning its own real estate whenever possible to preserve operating flexibility and position the Company to benefit from any long term real estate appreciation and developing powerful corporate brands (no name™, President's Choice™, G•R•E•E•N™, "TOO GOOD TO BE TRUE!"™, Club Pack™) to enhance customer loyalty and provide some margin protection from national brand discounting.

RETAIL AND WHOLESALE OPERATIONS



RETAIL AND WHOLESALE OPERATIONS

Retail sales consist of sales to consumers through corporate stores operated by Loblaw Companies Limited. Wholesale sales consist of sales and service fees to franchised independent stores and independent accounts but exclude sales to corporate stores and other inter-company sales.

The following charts illustrate the makeup and trends in Loblaw Companies Limited when viewed from a retail and wholesale perspective.

RETAIL OPERATIONS		1992		1991		1990	
<i>Corporate Stores*</i>	Stores	Sq. Ft. (in millions)		Stores	Sq. Ft. (in millions)	Stores	Sq. Ft. (in millions)
Beginning of year	394	12.2		382	11.9	388	11.8
Opened or acquired	50	1.6		19	.7	18	.8
Closed	(31)	(.4)		(11)	(.3)	(21)	(.5)
Franchised							
Transfer to:	(22)	(.3)		(16)	(.2)	(20)	(.3)
Transfer from:	9	.1		20	.1	17	.1
End of year	400	13.2		394	12.2	382	11.9
Average store size (in thousands)	33.0 sq. ft.			30.9 sq. ft.		31.2 sq. ft.	
Analysis by size							
More than 60,000 sq. ft.	46			43		43	
40,000 – 60,000 sq. ft.	55			48		50	
20,000 – 39,999 sq. ft.	165			151		142	
10,000 – 19,999 sq. ft.	80			76		76	
Less than 10,000 sq. ft.	54			76		71	
	400			394		382	
<i>Retail Sales (in millions)</i>	\$6,424			\$5,786		\$5,693	
Annual average sales per gross sq. ft.	\$496			\$476		\$486	

WHOLESALE OPERATIONS		1992		1991		1990	
<i>Franchised Independent Stores</i>	Stores	Sq. Ft. (in millions)		Stores	Sq. Ft. (in millions)	Stores	Sq. Ft. (in millions)
Beginning of year	1,156	7.1		1,266	7.4	1,289	7.3
Opened	161	1.1		128	.6	76	.3
Closed	(151)	(.7)		(234)	(1.0)	(102)	(.4)
Corporate							
Transfer from:	22	.3		16	.2	20	.3
Transfer to:	(9)	(.1)		(20)	(.1)	(17)	(.1)
End of year	1,179	7.7		1,156	7.1	1,266	7.4
Warehouses	44			49		54	
Independent accounts	11,981			12,038		11,839	
<i>Wholesale Sales (in millions)</i>	\$2,838			\$2,747		\$2,724	

*The operations of the Cash & Carry outlets have been retroactively reclassified from wholesale to retail, reflecting the evolution of this format in today's marketplace.

FINANCIAL REPORT

TOM·BOY
F·O·O·D·S

valu·mart

the real Canadian
Superstore

Loblaws

freshmart

Super Valu

THE·REAL·CANADIAN
WHOLESALE
No Membership Required

your
INDEPENDENT
GROCER

OK! economy

zehrs
food plus

save-easy

LUCKY·DOLLAR
F·O·O·D·S

ziggy's
ST. CLAIR MARKET

FORTINOS

Shop-Rite

Dominion

the real atlantic
Superstore

the real
Superstore

the **supercentre**

mr. grocer

national

SHOP EASY
F·O·O·D·S

zehrs
markets

canal villere

Capitol

That Stanley!

no frills

Extra Foods

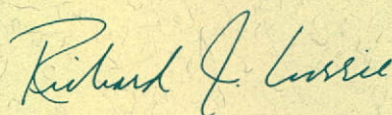
RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation and presentation of the consolidated financial statements and all other information in the Annual Report. This responsibility includes the selection of appropriate accounting principles and methods in addition to making the judgements and estimates necessary to prepare financial statements in accordance with generally accepted accounting principles. It also includes ensuring that the other financial information presented elsewhere in the Annual Report is consistent with the financial statements.

To provide reasonable assurance that assets are safeguarded and that relevant and reliable financial information is being produced, management maintains a system of internal controls. Internal auditors who are employees of the Company, review and evaluate internal controls on management's behalf, coordinating this work with the independent shareholders' auditors. The financial statements have been audited by the independent shareholders' auditors, Peat Marwick Thorne, whose report follows.

The Board of Directors, acting through an Audit Committee which is comprised solely of directors who are not employees of the Company, is responsible for determining that management fulfills its responsibilities in the preparation of financial statements and the financial control of operations. The Audit Committee recommends the independent auditors for appointment by the shareholders. It meets regu-

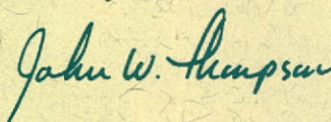
larly with financial management, internal auditors and independent auditors to discuss internal controls, auditing matters and financial reporting issues. The independent shareholders' auditors have unrestricted access to the Audit Committee. The Committee reviews the Consolidated Financial Statements and the Management Discussion and Analysis prior to the Board approving them for inclusion in the Annual Report.



Richard J. Currie
President



David K. Bragg
*Senior Vice President,
Planning and Control*



John W. Thompson
*Senior Vice President,
Finance and Administration*

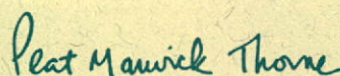
AUDITORS' REPORT

To the Shareholders of Loblaw Companies Limited:
We have audited the consolidated balance sheets of Loblaw Companies Limited as at January 2, 1993 and December 28, 1991 and the consolidated statements of earnings, retained earnings and cash flow for the 53 week period and the 52 week period, respectively, then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the

accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at January 2, 1993 and December 28, 1991 and the results of its operations and the changes in its financial position for the periods then ended in accordance with generally accepted accounting principles.



Chartered Accountants
March 3, 1993
Toronto, Canada

 Peat Marwick Thorne

CONSOLIDATED STATEMENT OF EARNINGS

53 Weeks Ended January 2, 1993

<i>(in millions of dollars)</i>	1992 <i>(53 weeks)</i>	1991 <i>(52 weeks)</i>	1990 <i>(52 weeks)</i>
Sales	\$9,261.6	\$8,532.9	\$8,416.6
Operating Expenses			
Cost of sales, selling and administrative expenses	8,952.8	8,209.2	8,097.1
Depreciation	115.7	104.6	105.0
	<u>9,068.5</u>	<u>8,313.8</u>	<u>8,202.1</u>
Operating Income	<u>193.1</u>	<u>219.1</u>	<u>214.5</u>
Interest expense (income)			
Long term debt	62.7	63.2	54.7
Short term debt / investments	(4.5)	(6.5)	9.4
	<u>58.2</u>	<u>56.7</u>	<u>64.1</u>
Special provision (note 2)	<u>10.0</u>		
Earnings before income taxes	124.9	162.4	150.4
Income taxes (note 3)	<u>45.1</u>	<u>57.7</u>	<u>54.4</u>
Net Earnings for the Period	<u>\$ 79.8</u>	<u>\$ 104.7</u>	<u>\$ 96.0</u>
Net Earnings per Common Share	<u>\$.88</u>	<u>\$ 1.17</u>	<u>\$ 1.10</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

53 Weeks Ended January 2, 1993

<i>(in millions of dollars)</i>	1992 <i>(53 weeks)</i>	1991 <i>(52 weeks)</i>	1990 <i>(52 weeks)</i>
Retained Earnings, Beginning of Period	\$ 567.8	\$ 499.1	\$ 433.9
Net earnings for the period	<u>79.8</u>	<u>104.7</u>	<u>96.0</u>
	<u>647.6</u>	<u>603.8</u>	<u>529.9</u>
Dividends declared			
Preferred shares	10.7	16.0	16.3
Common shares, per share – 24¢ (1991 – 23¢, 1990 – 20¢)	18.9	17.7	14.5
Share issue costs, net of income taxes	<u>2.3</u>	<u>2.3</u>	<u>2.3</u>
	<u>29.6</u>	<u>36.0</u>	<u>30.8</u>
Retained Earnings, End of Period	<u>\$ 618.0</u>	<u>\$ 567.8</u>	<u>\$ 499.1</u>

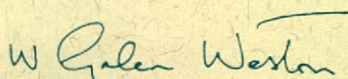
CONSOLIDATED BALANCE SHEET

As at January 2, 1993

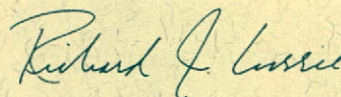
<i>(in millions of dollars)</i>	1992	1991	1990
Assets			
Current Assets			
Cash and short term investments	\$ 208.0	\$ 253.4	\$ 31.2
Accounts receivable	183.9	161.8	137.9
Taxes recoverable	1.1		
Inventories	642.9	615.2	621.5
Prepaid expenses and other assets	16.0	19.7	16.5
	<u>1,051.9</u>	<u>1,050.1</u>	<u>807.1</u>
Investments (note 4)	94.1	106.8	123.5
Fixed Assets (note 5)	1,231.4	1,115.1	1,077.7
Goodwill	52.0	54.0	58.2
Other Assets	44.7	35.6	35.8
	<u>\$2,474.1</u>	<u>\$2,361.6</u>	<u>\$2,102.3</u>
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 862.8	\$ 721.8	\$ 721.3
Dividends payable		4.7	3.7
Taxes payable		27.7	27.3
Long term debt payable within one year (note 6)	5.6	33.1	4.2
	<u>868.4</u>	<u>787.3</u>	<u>756.5</u>
Long Term Debt (note 6)	572.0	560.6	469.2
Other Liabilities	19.4	27.4	20.9
Deferred Income Taxes	42.1	45.3	43.4
	<u>1,501.9</u>	<u>1,420.6</u>	<u>1,290.0</u>
Shareholders' Equity			
Capital Stock (note 8)			
Preferred shares	129.7	185.9	223.5
Common shares	222.8	218.2	110.6
	<u>352.5</u>	<u>404.1</u>	<u>334.1</u>
Contributed Surplus	8.6	8.8	8.8
Retained Earnings	618.0	567.8	499.1
Foreign Currency Translation Adjustment	(6.9)	(39.7)	(29.7)
	<u>972.2</u>	<u>941.0</u>	<u>812.3</u>
	<u>\$2,474.1</u>	<u>\$2,361.6</u>	<u>\$2,102.3</u>

Approved by the Board

W. Galen Weston
Director



Richard J. Currie
Director



CONSOLIDATED CASH FLOW STATEMENT

53 Weeks Ended January 2, 1993

<i>(in millions of dollars)</i>	1992 <i>(53 weeks)</i>	1991 <i>(52 weeks)</i>	1990 <i>(52 weeks)</i>
<i>Operations</i>			
Net earnings	\$ 79.8	\$ 104.7	\$ 96.0
Depreciation	115.7	104.6	105.0
Gain on sale of fixed assets	(.7)	(2.8)	(3.7)
Deferred income taxes	(4.0)	(4.7)	(4.2)
Other	14.4	4.3	4.9
	<u>205.2</u>	<u>206.1</u>	<u>198.0</u>
Provided from working capital	68.1	14.8	50.7
Cash flow from operations	<u>273.3</u>	<u>220.9</u>	<u>248.7</u>
<i>Investment</i>			
Purchase of fixed assets	(198.1)	(158.9)	(171.2)
Acquisitions (note 9)	(48.9)		
Proceeds from sale of fixed assets	10.2	14.6	21.9
Decrease in investments in franchisees	2.1	13.6	5.3
Net decrease (increase) in other items	20.3	(23.4)	4.4
	<u>(214.4)</u>	<u>(154.1)</u>	<u>(139.6)</u>
Net cash in before financing and dividends	<u>58.9</u>	<u>66.8</u>	<u>109.1</u>
<i>Financing</i>			
Long term debt – Borrowings	16.5	205.6	
– Repayments	(34.9)	(91.3)	(67.7)
Capital stock – Issued	4.6	107.6	1.7
– Retired	(56.2)	(37.6)	(.8)
Other	3.8		
	<u>(70.0)</u>	<u>188.1</u>	<u>(66.8)</u>
<i>Dividends</i>	<u>(34.3)</u>	<u>(32.7)</u>	<u>(27.3)</u>
<i>(Decrease) Increase in Cash</i>	<u>(45.4)</u>	<u>222.2</u>	<u>15.0</u>
Cash at beginning of period	253.4	31.2	16.2
<i>Cash at End of Period</i>	<u>\$ 208.0</u>	<u>\$ 253.4</u>	<u>\$ 31.2</u>

Cash is defined as cash and short term investments net of bank advances and notes payable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

53 Weeks Ended January 2, 1993

(Narrative and tabular amounts in millions of dollars except Capital Stock note)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and all subsidiaries. The effective interest of Loblaw Companies Limited in the equity share capital of all principal subsidiaries is 100%.

b) Cash offsetting

Cash balances for which the Company has a right of offset are used to reduce reported short term borrowings. In addition, the Company has \$237.8 (1991 - \$209.2, 1990 - \$195.7) in short term investments held by its United States subsidiaries which is included in cash and short term investments. \$29.8 of this was used to offset short term borrowings in Canada. The \$11.0 (1991 - \$12.3, 1990 - \$13.5) income from these investments is included as a reduction of interest expense.

c) Inventories

Retail store inventories are stated at the lower of cost and net realizable value less normal profit margin. All other inventories are stated at the lower of cost and net realizable value.

d) Fixed assets

Fixed assets are stated at cost, including capitalized interest. Interest capitalized during the period amounts to \$3.8 (1991 - \$4.1, 1990 - \$3.4). Depreciation is recorded principally on a straight line basis to amortize the cost of these assets over their estimated useful lives.

Estimated useful lives range from twenty-five to forty years for buildings and three to eleven years for equipment and fixtures. Leasehold improvements are depreciated over the lesser of the applicable useful life and term of the lease.

e) Translation of foreign currencies

Foreign currency balances are translated at a rate approximating the current rate at each period end. The net difference on translation of the Company's equity in United States subsidiaries is included in the foreign currency translation adjustment within shareholders' equity. Exchange gains or losses arising from cross-currency swaps considered a hedge against these investments are also included in the foreign currency translation adjustment. The balance in this account will be recognized in earnings in proportion to any reduction of the net investment in United States subsidiaries. Revenues and expenses are translated at a rate approximating the average rate for the period.

f) Goodwill

Goodwill reflects the excess of the cost of investments in subsidiaries over the fair value of the underlying net tangible assets acquired at the dates of acquisition. Goodwill is being amortized on a straight line basis determined for each acquisition over the estimated life of the benefit, to a maximum period of 40 years. The weighted average remaining amortization period is 25 years.

2. SPECIAL PROVISION

When the Company's former U.S. subsidiary, P.J. Schmitt, was sold in 1988, a preferred share investment was retained and certain loan guarantees were given. In June, 1992, Schmitt was granted protection from creditors under Chapter 11 and the Debtor in possession has subsequently sold substantially all of its assets. This special provision reflects anticipated losses on the Company's investment and guarantees. The tax benefits of this provision are not certain and therefore have not been recognized.

3. INCOME TAXES

The Company's effective income tax rate is made up as follows:

	1992	1991	1990
Combined basic Canadian federal and provincial income tax rate	41.7%	42.8%	44.5%
Impact of operating in foreign countries with lower effective tax rates	(7.2)	(6.5)	(7.1)
Impact of special provision	3.3		
Other (including adjustment of prior years' estimates)	(1.7)	(.8)	(1.2)
	<u>36.1%</u>	<u>35.5%</u>	<u>36.2%</u>

4. INVESTMENTS (at cost)

	1992	1991	1990
Secured loans and advances	\$23.4	\$ 28.6	\$ 30.8
Lease receivables	30.1	30.4	30.7
Investments in franchisees	25.0	27.1	40.7
Long term receivables and other investments	15.6	20.7	21.3
	<u>\$94.1</u>	<u>\$106.8</u>	<u>\$123.5</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

53 Weeks Ended January 2, 1993

5. FIXED ASSETS

	1992			1991			1990
	Cost	Accumulated Depreciation	Net	Cost	Accumulated Depreciation	Net	Net
Properties held for development	\$ 31.6		\$ 31.6	\$ 17.3		\$ 17.3	\$ 5.8
Land	268.7		268.7	230.1		230.1	224.1
Buildings	704.4	\$160.8	543.6	615.9	\$132.9	483.0	468.0
Equipment and fixtures	766.7	504.4	262.3	690.6	436.5	254.1	250.7
Leasehold improvements	167.9	91.8	76.1	157.7	77.7	80.0	79.7
	<u>1,939.3</u>	<u>757.0</u>	<u>1,182.3</u>	<u>1,711.6</u>	<u>647.1</u>	<u>1,064.5</u>	<u>1,028.3</u>
Buildings and equipment under capital leases	88.8	39.7	49.1	85.2	34.6	50.6	49.4
	<u>\$2,028.1</u>	<u>\$796.7</u>	<u>\$1,231.4</u>	<u>\$1,796.8</u>	<u>\$681.7</u>	<u>\$1,115.1</u>	<u>\$1,077.7</u>

6. LONG TERM DEBT

	1992	1991	1990
Debentures			
Series 2, 12 1/4% due 1994	\$ 30.5	\$ 30.5	\$ 35.0
Series 3, 11 5/8% repaid 1992		28.6	50.0
Series 4, 11% due 1995	40.0	40.0	40.0
Series 5, 10% due 2006	50.0	50.0	50.0
Series 6, 9 3/4% due 2001	75.0	75.0	75.0
Series 7, 9% due 2001	14.0	14.2	75.0
Series 8, 10% due 2007	60.7	60.7	60.7
Notes, 11.4% due 2031	200.0	200.0	
Other long term debt at a weighted average interest rate of 10.9%, due 1993 - 2003	33.2	20.0	15.4
Capital lease obligations at a weighted average interest rate of 13.5%, due 1993 - 2017	<u>74.2</u>	<u>74.7</u>	<u>72.3</u>
	<u>577.6</u>	<u>593.7</u>	<u>473.4</u>
Less payable within one year	<u>5.6</u>	<u>33.1</u>	<u>4.2</u>
	<u>\$572.0</u>	<u>\$560.6</u>	<u>\$469.2</u>

The Series 5 and Series 6 debentures are retractable annually commencing 1996 and 1993, respectively. Current intentions are to reset the interest rate on the Series 6 debentures in 1993 which will encourage renewal. The Series 7 debentures are redeemable and retractable in 1996. The five year schedule of repayments of long term debt, at the earlier of maturity or first retraction date, excluding the Series 6 debentures, is as follows: 1993 - \$5.6; 1994 - \$37.9; 1995 - \$47.2; 1996 - \$79.4; 1997 - \$8.7.

7. CROSS-CURRENCY SWAPS

The Company has entered into cross-currency swaps to exchange a notional amount of \$489 Canadian debt for United States dollar debt. The swaps mature as follows: 1999 - \$125.2; 2000 - \$62.7; 2001 - \$143.9; 2002 - \$125.6; 2004 - \$31.6. Currency adjustments receivable or payable arising from the swaps must be settled in cash on maturity, except for the swaps maturing in 2002 which are subject to rollover provisions at the Company's option. As at January 2, 1993, a currency adjustment of \$7.5 has been included in other assets. Long term interest expense has been decreased by the positive spread between Canadian floating rates, based on bankers acceptances, and U.S. floating rates, based on LIBOR, applied to the notional amount exchanged. The event of default by the counterparties to these swaps does not create a significant risk because there is no exposure to loss of the notional principal amounts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

53 Weeks Ended January 2, 1993

8. CAPITAL STOCK

	Number of shares issued			Paid-up-capital (in millions of dollars)		
	1992	1991	1990	1992	1991	1990
First preferred shares						
First series	439,652	439,652	439,652	\$ 22.0	\$ 22.0	\$ 22.0
Second series	290,798	299,048	307,273	9.6	9.9	10.1
	<u>730,450</u>	<u>738,700</u>	<u>746,925</u>			
Second preferred shares						
Third series	1,515,700	1,515,700	3,000,000	37.9	37.9	75.0
Fourth series	120	120	120	60.0	60.0	60.0
Fifth series		110	110		55.0	55.0
	<u>1,515,820</u>	<u>1,515,930</u>	<u>3,000,230</u>			
Junior preferred shares	<u>2,200</u>	<u>11,375</u>	<u>14,125</u>	.2	1.1	1.4
Total preferred shares				129.7	185.9	223.5
Common shares	<u>78,932,026</u>	<u>78,381,416</u>	<u>72,621,007</u>	222.8	218.2	110.6
Total capital stock				<u>\$352.5</u>	<u>\$404.1</u>	<u>\$334.1</u>

Share Description:

First preferred shares (authorized – 1,000,000)

First series – \$2.40 cumulative dividend redeemable at \$50.

Second series – \$3.70 cumulative dividend redeemable at \$70.

Subject to certain exceptions, in each fiscal year, the Company is obligated to apply \$400,000 to the retirement of these shares.

Second preferred shares (authorized – unlimited)

Third series – \$1.825 cumulative dividend redeemable at \$25, retractable at the option of the holder on September 1, 1993.

Fourth series – cumulative dividend with a fixed rate of 7.75% to March 1, 1995 and a floating rate thereafter, redeemable at \$500,000 each on or after March 1, 1995.

Fifth series – cumulative dividend with a fixed rate of 7.75% to March 1, 1995. These shares were redeemed according to their terms at \$500,000 each on March 1, 1992.

Junior preferred shares (authorized – unlimited)

Third and fourth series – cumulative dividend with floating rate equal to two-thirds of average bank prime rate plus $\frac{3}{4}\%$. 9,175 third and fourth series shares were converted into 220,510 common shares in 1992. The 2,200 fourth series,

redeemable after May 16, 1993 at \$100, are convertible into 34,510 common shares (11,375 third and fourth series convertible into 255,020 common shares in 1991).

Common shares (authorized – unlimited)

In June, 1991, the Company issued 5,000,000 common shares for cash consideration of \$101,250,000.

In 1992, the Company issued 220,510 (1991 – 43,136) common shares for a consideration of \$917,500 (1991 – \$275,000) on conversion of 9,175 junior preferred shares.

In 1992, the Company issued 330,100 (1991 – 717,273) common shares for cash consideration of \$3,631,827 (1991 – \$6,078,224) on exercise of employee stock options.

As at January 2, 1993, there were outstanding stock options, which were granted at the market price on the day preceding the grant, to purchase 2,295,711 common shares at prices ranging from $\$9\frac{1}{8}$ to $\$18\frac{1}{2}$ with a weighted average price of $\$15\frac{1}{8}$. Options expire on dates ranging from January 27, 1993 to December 16, 1999, with 333,690 expiring in 1993.

The exercise of the conversion privileges and stock option would not materially dilute earnings per share.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

53 Weeks Ended January 2, 1993

9. ACQUISITIONS

During 1992, the Company acquired 18 corporate stores and a warehouse in Newfoundland (by buying out the remaining 50 percent interest of its joint venture partner), 10 former Steinberg stores in the Ottawa Valley, and 5 former Vinet's stores in Alberta.

These transactions have been accounted for using the purchase method with the results of operations included in these financial statements since the dates of acquisitions. Details of the acquisitions are as follows:

	1992
Working capital	\$ 4.8
Fixed assets	30.9
Investments	10.8
Other	2.4
Cash consideration	<u>\$48.9</u>

10. PENSIONS

Current actuarial estimates indicate that the present value of accrued pension benefits is \$393.0 (1991 - \$378.6, 1990 - \$343.8) and the value of pension fund assets is \$352.9 (1991 - \$329.0, 1990 - \$299.7).

11. OTHER INFORMATION

a) Segmented information

The Company's only significant activity is food distribution. Geographically segmented information is as follows:

	1992	1991	1990
Sales			
Eastern Canada	\$4,840.2	\$4,325.5	\$4,212.4
Western Canada	2,999.1	2,908.4	2,891.5
United States	1,422.3	1,299.0	1,312.7
Operating income			
Eastern Canada	\$ 62.9	\$ 96.0	\$ 103.5
Western Canada	89.0	81.7	75.0
United States	41.2	41.4	36.0
Total assets			
Eastern Canada	\$1,149.2	\$1,136.2	\$1,100.8
Western Canada	723.0	661.1	634.8
United States	601.9	564.3	366.7

b) Contingent liabilities and commitments

Endorsements and guarantees in the normal course of business amount to \$21.9. Gross rentals under leases assigned at the time of sale of United States divisions for which the Company is contingently liable, amount to \$31.9.

Commitments for net operating lease payments total \$710.1 (\$873.9 gross, net of \$163.8 of expected sub-lease income). Net payments for each of the next five years and thereafter are as follows: 1993 - \$93.3; 1994 - \$78.5; 1995 - \$68.9; 1996 - \$58.7; 1997 - \$50.3; thereafter to 2041 - \$360.4.

c) Related parties

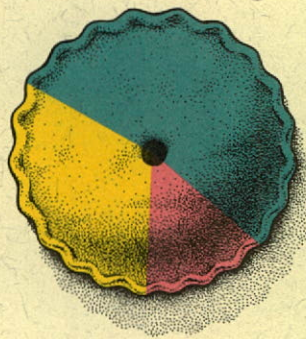
The Company's majority shareholder, George Weston Limited and its subsidiaries are related parties. It is the Company's policy to conduct all transactions with related parties on normal trade terms. The magnitude of these transactions and balances is not considered significant to the Company.

TEN YEAR SUMMARY

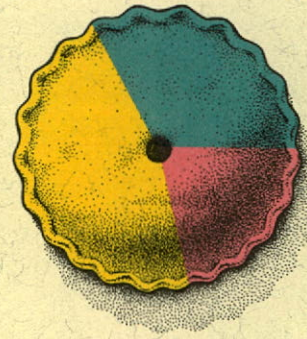
SEGMENTED INFORMATION

(\$ millions)	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983
<i>Sales</i>										
Eastern Canada	4,840	4,326	4,212	3,988	3,705	3,601	3,067	2,780	2,692	2,538
Western Canada	2,999	2,908	2,892	2,650	2,340	2,088	2,031	1,888	1,702	1,583
United States	1,423	1,299	1,313	1,296	2,263	2,942	2,741	2,263	2,025	1,970
Total	9,262	8,533	8,417	7,934	8,308	8,631	7,839	6,931	6,419	6,091
<i>Operating Income</i>										
Eastern Canada	63	96	104	90	76	106	74	72	68	61
Western Canada	89	82	75	67	56	47	56	45	37	35
United States	41	41	36	34	28	37	33	35	33	32
Total	193	219	215	191	160	190	163	152	138	128
<i>Purchase of Fixed Assets</i>										
Eastern Canada	91	84	101	88	95	152	157	91	61	56
Western Canada	84	54	51	64	59	24	41	47	40	30
United States	23	21	19	14	38	72	92	55	49	18
Total	198	159	171	166	192	248	290	193	150	104
<i>Total Assets</i>										
Eastern Canada	1,149	1,136	1,101	1,082	1,082	1,034	801	653	552	512
Western Canada	723	661	635	589	523	460	418	383	325	278
United States	602	564	367	369	399	719	759	494	387	361
Total	2,474	2,362	2,102	2,040	2,004	2,214	1,978	1,530	1,264	1,151

SALES



OPERATING INCOME



EASTERN CANADA

WESTERN CANADA

UNITED STATES

TEN YEAR SUMMARY

EARNINGS STATEMENT

(\$ millions)	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983
Sales	9,262	8,533	8,417	7,934	8,308	8,631	7,839	6,931	6,419	6,091
Trading profit*	309	324	320	291	258	290	249	225	205	190
Depreciation	116	105	105	100	98	100	86	73	67	62
Operating income	193	219	215	191	160	190	163	152	138	128
Interest	58	57	64	80	74	64	45	36	29	26
Income taxes	45	57	55	39	19	48	39	45	45	46
Minority interest				2	4	4	5	4	3	4
Earnings before extraordinary items	80	105	96	70	41	74	74	67	61	52
Extraordinary items					(15)				3	1
Net earnings	80	105	96	70	26	74	74	67	64	53
<i>Per Common Share (dollars)</i>										
First quarter	.18	.20	.17	.14	.13	.15	.14	.13	.13	.11
Second quarter	.11	.30	.27	.18	.17	.24	.23	.20	.21	.17
Third quarter	.26	.34	.32	.22	.13	.25	.27	.26	.28	.23
Fourth quarter	.33	.33	.34	.26	(.22)	.23	.27	.26	.19	.15
Total net earnings	.88	1.17	1.10	.80	.21	.87	.91	.85	.81	.66
Dividends – declared	.24	.23	.20	.20	.20	.195	.175	.155	.135	.118
– year end rate	.24	.24	.20	.20	.20	.20	.18	.16	.14	.12
<i>Return on Sales (percent)</i>										
Operating income	2.1	2.6	2.5	2.4	1.9	2.2	2.1	2.2	2.1	2.1
Earnings before income taxes	1.3	1.9	1.8	1.4	.8	1.5	1.5	1.7	1.7	1.7
Net earnings	.9	1.2	1.1	.9	.3	.9	.9	1.0	1.0	.9
<i>Earnings Ratios** (percent)</i>										
Return on common equity	8.8	13.4	14.6	11.7	5.9	12.5	14.6	15.6	16.3	16.3
Return on capital employed	14.0	16.4	16.1	14.1	11.4	14.2	14.8	17.1	18.8	19.7

*Trading profit is defined as operating income before depreciation.

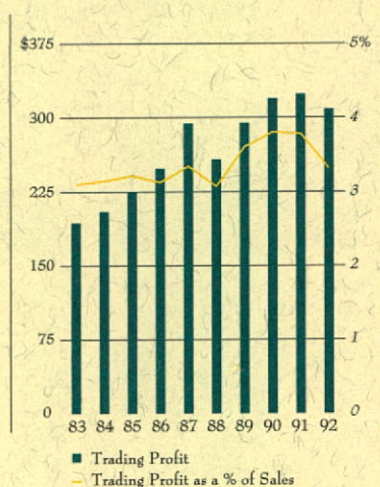
**Earnings ratios have been computed as follows:

Return on common equity – Earnings before extraordinary items less preferred dividends divided by average common share capital, retained earnings, foreign currency translation adjustment and the applicable portion of contributed surplus.

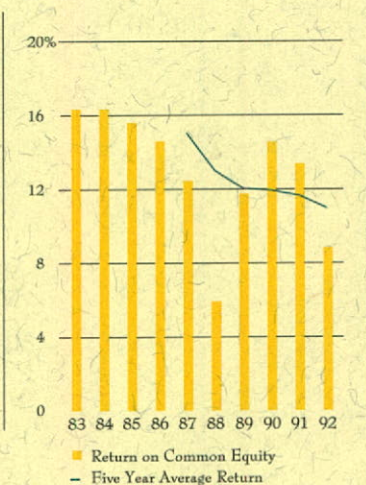
Return on capital employed – Operating income divided by average total assets (less cash and short term investments) less non-interest bearing liabilities.

TRADING PROFIT* AND TRADING
PROFIT AS A % OF SALES

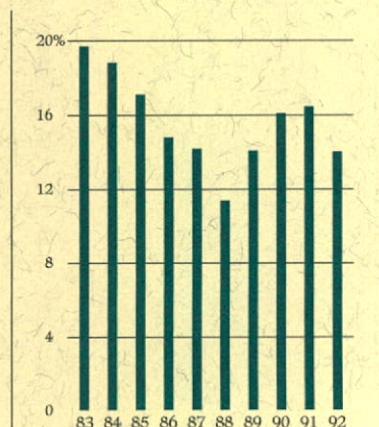
(millions)



RETURN ON COMMON EQUITY



RETURN ON CAPITAL EMPLOYED



TEN YEAR SUMMARY

FINANCIAL POSITION

(\$ millions)	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983
Current assets	1,052	1,050	807	761	765	983	940	753	624	581
Current liabilities	868	787	756	727	684	843	739	627	495	470
Working capital	184	263	51	34	81	140	201	126	129	111
Fixed assets (net)	1,231	1,115	1,078	1,044	1,052	1,057	932	688	577	508
Total assets	2,474	2,362	2,102	2,040	2,004	2,214	1,978	1,530	1,264	1,151
Long term debt	578	594	473	541	559	588	518	342	251	219
Total debt	578	594	473	549	623	686	569	390	283	233
Retained earnings	618	568	499	434	390	396	348	295	245	198
Shareholders' equity	972	941	812	746	651	690	655	521	466	413
Average capital employed	1,609	1,479	1,360	1,379	1,433	1,393	1,141	893	761	692

Per Common Share (dollars)

Book value	10.57	9.52	7.99	7.10	6.62	7.12	6.68	5.85	5.09	4.33
Price range – high	20 ¹ / ₂	22 ¹ / ₂	18 ⁷ / ₈	15 ¹ / ₄	13 ¹ / ₈	16 ⁷ / ₈	14	12 ¹ / ₈	9 ³ / ₄	7 ³ / ₈
– low	16 ³ / ₈	16 ³ / ₈	13 ⁵ / ₈	10 ¹ / ₄	9 ⁷ / ₈	9	11	8	6 ¹ / ₂	4 ⁵ / ₈

Financial Ratios* (xx:1)

Working capital	.98	1.06	1.03	1.05	1.12	1.17	1.29	1.20	1.26	1.21
Total debt to equity	.38	.36	.54	.70	.92	.95	.75	.75	.59	.45

CHANGES IN FINANCIAL POSITION

(\$ millions)	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983
Cash flow from operations	273	221	249	230	145	156	185	123	52	112
Purchase of fixed assets	198	159	171	166	192	248	290	193	150	104

Per Common Share (dollars)

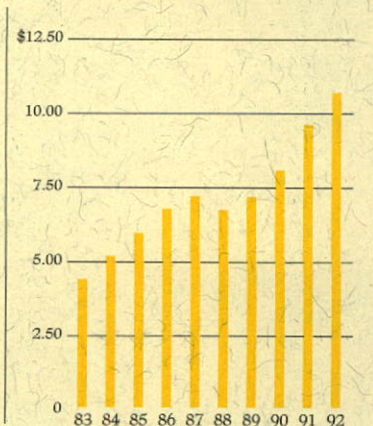
Cash flow from operations	3.47	2.91	3.43	3.19	2.01	2.17	2.60	1.73	.74	1.58
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Financial Ratios* (xx:1)

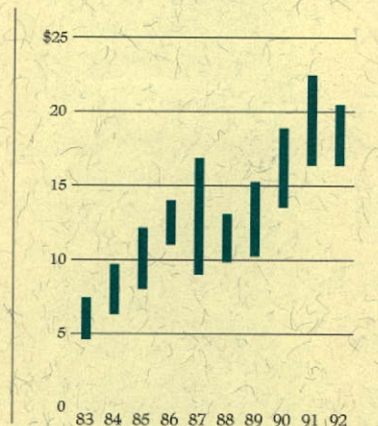
Cash flow from operations to long term debt	.74	.65	.56	.44	.26	.26	.38	.36	.21	.60
Interest coverage on total debt	3.32	3.86	3.35	2.39	2.16	3.00	3.62	4.17	4.72	4.86

*For purposes of calculating financial ratios, debt is reduced by cash and short term investments.

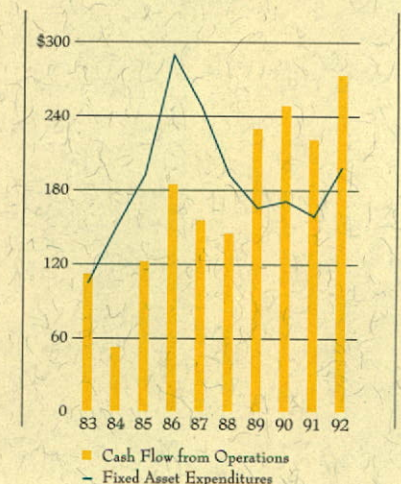
BOOK VALUE PER SHARE
(dollars)



COMMON SHARE PRICE RANGE
(dollars)



CASH FLOW FROM OPERATIONS
AND FIXED ASSET EXPENDITURES
(millions)



CORPORATE STRUCTURE

Loblaw Companies Limited

Directors

W. Galen Weston, oc
*Chairman and President,
George Weston Limited*

Richard J. Currie
*President, Loblaw
Companies Limited*

Camilla Dalglish
Corporate Director

Sheldon V. Durtsche*
Corporate Director

Robert H. Kidd*
*Senior Vice President and
Chief Financial Officer,
George Weston Limited*

Roger A. Lindsay
*Executive Vice President,
Wittington Investments,
Limited*

Arthur H. Mingay*
Corporate Director

David A. Nichol
*Executive Vice President,
Loblaw Companies Limited*

Shirley E. Robertson*
Corporate Director

T. Iain Ronald
*Vice Chairman,
Canadian Imperial Bank
of Commerce*

*member – Audit Committee

Honorary Chairman

George C. Metcalf

Corporate Officers

W. Galen Weston, oc
Chairman of the Board

Richard J. Currie
President

Serge K. Darkazanli
Executive Vice President

David A. Nichol
Executive Vice President

Harold A. Seitz
Executive Vice President

David M. Williams
Executive Vice President

David K. Bragg
*Senior Vice President,
Planning and Control*

Stewart E. Green
*Senior Vice President
and Secretary*

John W. Thompson
*Senior Vice President,
Finance and Administration*

Roy R. Conliffe
*Vice President,
Labour Relations*

Glenn D. Leroux
*Vice President,
Risk Management*

John N. McCullough
*Vice President,
General Counsel*

Richard P. Mavrinac
Vice President, Taxation

Donald G. Reid
Vice President, Treasurer

Stephen A. Smith
Vice President, Controller

Randy W. Bowes
*Assistant Vice President,
Computer Audit Services*

Barbara T. Cook
Assistant Controller

Manny DiFilippo
*Assistant Vice President,
Systems and Control*

Louise M. Lacchin
Assistant Treasurer

Marian M. Burrows
Assistant Secretary

Dorothy M. Leamen
Assistant Secretary

National Grocers
Consolidated
(Toronto, Ontario)
David M. Williams
President

National Tea Co.
(St. Louis, Missouri)
Harold A. Seitz
President

Loblaw
International
Merchants
(Toronto, Ontario)
David A. Nichol
President

Intersave Buying
& Merchandising
Services
(Toronto, Ontario)
Douglas N. Lunau
President

Atlantic
Wholesalers
(Sackville,
New Brunswick)
Albert F. Rose
President

Kelly, Douglas
(Calgary, Alberta)
Serge K. Darkazanli
President

Fortino's
Supermarket
(Hamilton, Ontario)
John Fortino
President

IPCF
Properties
(Toronto, Ontario)
Stanley B. Swartzman
President

Loblaws
Supermarkets
(Toronto, Ontario)
David M. Williams
President

National Grocers
(Toronto, Ontario)
David M. Williams
President

Zehrmart
(Cambridge, Ontario)
Grant J. Heimpel
President

Westfair Foods Ltd.
(Calgary, Alberta)
Serge K. Darkazanli
President

The average age and years
of service of the Officers
and operating Presidents are
47 and 16 years respectively.

SHAREHOLDER INFORMATION

Corporate Directory

Loblaw Companies Limited

Transfer Agent and Registrar

The R-M Trust Company
Toronto, Montreal,
Vancouver, Winnipeg,
Calgary, Regina, Halifax

Stock Listings

Toronto, Montreal and
Vancouver Stock Exchanges

Executive Offices

22 St. Clair Avenue East
Toronto, Ontario
M4T 2S8

General Counsel

Borden & Elliot

Auditors

Peat Marwick Thorne
Toronto, Ontario

Common Dividend

Payment Dates

April 1
July 1
October 1
December 30

Valuation Day Value of Common Shares

\$2.875

Annual General Meeting

April 28, 1993 at 11:00 a.m.
Constitution Hall, Hall A
Metropolitan Toronto
Convention Centre
255 Front Street West
Toronto, Ontario



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